

43-1100

PINORA TOWNSHIP

LAKE COUNTY, MICHIGAN

AUDIT REPORT

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

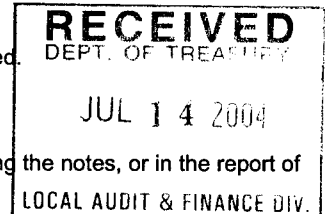
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name PINORA TOWNSHIP	County LAKE
Audit Date MARCH 31, 2004	Opinion Date JUNE 17, 2004	Date Accountant Report Submitted to State: JUNE 29, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) TERRY KIRKPATRICK, CPA, PC			
Street Address 211 MAPLE STREET	City BIG RAPIDS	State MI	ZIP 49307
Accountant Signature 		Date 6-22-04	

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Independent Auditor's Report

June 17, 2004

To the Honorable Supervisor and Members of Pinora
Township Board, Lake County, Michigan:

We have audited the accompanying general purpose financial statements of Pinora Township, Lake County, Michigan as of and for the year ended March 31, 2004 as listed on the contents page. These general purpose financial statements are the responsibility of the management of Pinora Township. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The scope of our audit did not include verification of the fund balances at April 1, 2003.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to determine the validity of beginning fund balances the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Township of Pinora as of March 31, 2004 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary financial data as listed on the contents page is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Pinora, Lake County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Terry Kirkpatrick, CPA, PC

Pinora Township – Lake County, Michigan
Combined Balance Sheet – All Fund Types and Account Groups
March 31, 2004

	Governmental <u>Fund Type</u>	Trust and <u>Agency</u>	Account <u>Group</u>	Totals (Memorandum <u>Only</u>)
	<u>General</u>	<u>Agency</u>	<u>General</u> <u>Fixed Assets</u>	
ASSETS				
Cash in Bank	\$ 168,511	\$ 643	\$ 0	\$ 169,154
Taxes Receivable - Delinquent	2,427	0	0	2,427
Due from Current Tax Fund	88	0	0	88
Land and Improvements	0	0	6,575	6,575
Buildings and Improvements	0	0	37,394	37,394
Equipment and Furniture	0	0	3,762	3,762
Total assets	<u>\$ 171,026</u>	<u>\$ 643</u>	<u>\$ 47,731</u>	<u>\$ 219,400</u>
LIABILITIES AND FUND EQUITY				
Payroll Taxes Payable	\$ 2,795	\$ 0	\$ 0	\$ 2,795
Due to General Fund	0	88	0	88
Due to Other Units	0	555	0	555
Investment in General Fixed Assets	0	0	47,731	47,731
Fund Balance	168,231	0	0	168,231
Total liabilities and fund balance	<u>\$ 171,026</u>	<u>\$ 643</u>	<u>\$ 47,731</u>	<u>\$ 219,400</u>

The "Notes to Financial Statements" are an integral part of these statements.

Pinora Township – Lake County, Michigan

**Combined Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Fund Types
For the Year Ended March 31, 2004**

	<u>General</u>
REVENUES	
Taxes	\$ 22,425
Licenses and Permits	450
State Grants	45,993
Charges for Services	3,113
Interest and Rents	1,973
Other Revenue	1,050
Total revenues	<u>75,004</u>
EXPENDITURES	
Legislative	2,517
General Government	45,620
Public Safety	9,010
Public Works	5,444
Recreation and Cultural	120
Other Functions	4,421
Total expenditures	<u>67,132</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,872
FUND BALANCE - April 1, 2003	<u>160,359</u>
FUND BALANCE - March 31, 2004	<u><u>\$ 168,231</u></u>

The "Notes to Financial Statements" are an integral part of these statements.

Pinora Township – Lake County, Michigan

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 15,950	\$ 22,425	\$ 6,475
Licenses and Permits	0	450	450
State Grants	58,000	45,993	(12,007)
Charges for Services	900	3,113	2,213
Interest and Rents	310	1,973	1,663
Other Revenue	0	1,050	1,050
Total revenues	<u>75,160</u>	<u>75,004</u>	<u>(156)</u>
EXPENDITURES			
Legislative			
Township board	2,300	2,517	(217)
General Government			
Supervisor	5,601	5,230	371
Elections	600	897	(297)
Assessor	13,500	13,909	(409)
Clerk	6,100	6,082	18
Board of review	1,200	945	255
Treasurer	10,700	11,043	(343)
Building and grounds	4,000	2,274	1,726
Cemetery	8,000	5,240	2,760
Total general government	<u>49,701</u>	<u>45,620</u>	<u>4,081</u>
Public Safety			
Fire fighting	8,600	9,010	(410)
Public Works			
Highways, streets and bridges	2,000	1,700	300
Sanitation	5,000	3,744	1,256
Total public works	<u>7,000</u>	<u>5,444</u>	<u>1,556</u>
Recreation and Cultural			
Library	250	120	130
Other Functions			
Insurance and bonds	3,400	2,854	546
Retirement	3,500	1,567	1,933
Total other functions	<u>6,900</u>	<u>4,421</u>	<u>2,479</u>
Total expenditures	<u>74,751</u>	<u>67,132</u>	<u>7,619</u>

Pinora Township – Lake County, Michigan

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – Continued
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	409	7,872	7,463
FUND BALANCE - April 1, 2003	160,359	160,359	0
FUND BALANCE - March 31, 2004	<u>\$ 160,768</u>	<u>\$ 168,231</u>	<u>\$ 7,463</u>

The "Notes to Financial Statements" are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Pinora Township – Lake County, Michigan

Notes to Financial Statements

For the Year Ended March 31, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 “The Financial Reporting Entity”, these financial statements present Pinora Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Basis of Presentation

The accounts of the Township are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded in those funds.

The financial activities of Pinora Township are recorded in separate funds and account groups categorized as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of: (1) general local unit governmental departments, boards and commissions; (2) court systems; (3) law enforcement; and (4) health, welfare and medical assistance. The fund includes the general operating expenditures of the local unit.

FIDUCIARY FUNDS

Trust and Agency Funds

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include: (a) Expendable Trust Funds; (b) Nonexpendable Trust; (c) Pension Trust Fund; and (d) Agency Funds.

ACCOUNT GROUPS

General Fixed Assets Account Group

This Account Group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

Fixed assets used in the general operation of the Township are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets. Infrastructure assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters are not capitalized.

Pinora Township – Lake County, Michigan

Notes to Financial Statements - Continued

For the Year Ended March 31, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Accounting

The accrual basis of accounting is used by the Proprietary Funds, Pension Trust Funds, and Nonexpendable Trust Funds. The modified-accrual basis of accounting is used by all Governmental Funds, Agency Funds and Expendable Trust Funds. Revenue and all other sources are recognized in the accounting period in which they become susceptible to accrual – that is when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the related liability is incurred. Modifications from the accrual basis are as follows:

- a. Property tax revenue should be recognized in accordance with MCGAA Statement 3:

Properties are assessed and lienied as of December 31 and their related property taxes are billed on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

- b. Interest income on special assessments receivable is not accrued until its due date.
- c. Interest expense on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- d. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- e. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Current Taxes

The Pinora Township property tax is levied on each December 1st on the State taxable valuation of property located in Pinora Township as of the preceding December 31st.

Although the Pinora Township 2003 ad valorem tax is levied and collectible on December 1, 2003, it is Pinora Township's policy to recognize revenue from the current tax levy.

The 2003 State taxable valuation of Pinora Township totaled \$13,350,000, on which ad valorem taxes levied consisted of .8763 mills for Pinora Township operating purposes. These amounts are recognized in the General Fund.

Budgetary Data

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. At the board meeting in March, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
4. Budget and appropriations lapse at year-end except for approved contracts and certain federal grants which are appropriated on a contract (grant) or entitlement-length basis.

Pinora Township – Lake County, Michigan

Notes to Financial Statements - Continued

For the Year Ended March 31, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Total Column on Combined Statements – Overview

The total column on the Combined Statements is captioned “Memorandum Only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

NOTE B – DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

Assets and Liabilities

1. Schedule of Changes in General Fixed Assets

	Balance 4/1/2003	Additions	Deletions	Balance 3/31/2004
Land and Improvements	\$ 6,575	\$ 0	\$ 0	\$ 6,575
Building and Improvements	37,394	0	0	37,394
Equipment and Furniture	3,762	0	0	3,762
Total	<u>\$ 47,731</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 47,731</u>

NOTE C – BALANCE SHEET – CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in three financial institutions in the name of Pinora Township. Michigan Compiled Laws, Section 129.91, authorizes Pinora Township to deposit and invest in the accounts of Federally-insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association; United States government or Federal agency banks; commercial paper rated with the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan, unless the out-of-state bank has a branch located in Michigan. The Pinora Township deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

	<u>Bank Balance</u>
<u>Deposits</u>	<u>Primary Government</u>
Insured (FDIC)	\$ 169,593
Uninsured	0
Total deposits	<u>\$ 169,593</u>

At year end, the balance sheet carrying amount of deposits was \$169,154.

Pinora Township – Lake County, Michigan

Notes to Financial Statements - Continued

For the Year Ended March 31, 2004

NOTE D – RISK FINANCING

Pinora Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; liability; and natural disasters. These risks are covered by insurance purchased from third parties. Settled claims for these risks have not exceeded insurance coverage for the past two years.

SUPPLEMENTARY FINANCIAL DATA

Pinora Township – Lake County, Michigan

General Fund

Detail Schedule of Actual Expenditures

For the Year Ended March 31, 2004

LEGISLATIVE

Township Board

Salaries and wages	\$	1,875
Miscellaneous		360
Memberships and dues		282
Total legislative	\$	<u>2,517</u>

GENERAL GOVERNMENT

Supervisor

Salaries and wages	\$	5,100
Office supplies		130
Total supervisor		<u>5,230</u>

Elections

Salaries and wages		880
Office supplies		17
Total elections		<u>897</u>

Assessor

Office supplies		1,789
Contracted services		11,552
Travel		568
Total assessor		<u>13,909</u>

Clerk

Salaries and wages		5,200
Office supplies		732
Miscellaneous		150
Total clerk		<u>6,082</u>

Board of Review

Salaries and wages		845
Miscellaneous		100
Total board of review		<u>945</u>

Treasurer

Salaries and wages		7,700
Office supplies		1,161
Contract services		2,182
Total treasurer		<u>11,043</u>

Pinora Township – Lake County, Michigan
General Fund
Detail Schedule of Actual Expenditures - Continued
For the Year Ended March 31, 2004

Building and Grounds	
Contracted services	165
Telephone	510
Utilities	1,599
Total building and grounds	<u>2,274</u>

Cemetery	
Salaries and wages	375
Operating supplies	80
Contracted services	4,785
Total cemetery	<u>5,240</u>
Total general government	<u>\$ 45,620</u>

PUBLIC SAFETY

Fire Fighting	
Contracted services	<u>\$ 9,010</u>

PUBLIC WORKS

Highways, Streets and Bridges	
Contracted services	\$ 1,700
Sanitation	
Contracted services	3,744
Total public works	<u>\$ 5,444</u>

RECREATION AND CULTURAL

Library	
Per diem	<u>\$ 120</u>

OTHER FUNCTIONS

Insurance and Bonds	
Insurance and bonds	\$ 2,854
Retirement	
Local unit's share social security tax	1,567
Total other functions	<u>\$ 4,421</u>

Pinora Township – Lake County, Michigan
 Current Tax Fund
 Statement of 2003 Tax Levy – Receipts and Disbursements
 For the Year Ended March 31, 2004

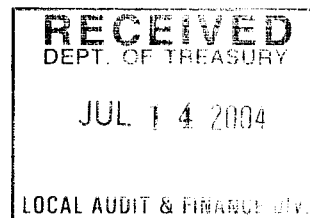
	Rate in Mills	Taxable Valuation	2003 Tax Levy	Taxes Returned Delinquent	Total Tax Collected
Lake County	11.3716	\$ 13,350,000	\$ 151,854	\$ 23,717	\$ 128,137
Wexford - Missaukee ISD	6.0003	4,135,000	24,810	4,974	19,836
Mecosta-Osceola ISD	4.1080	9,215,000	37,874	5,163	32,711
Pine River Schools - Debt - Operations	3.5000 17.1162	4,135,000 1,804,000	14,471 30,892	2,901 6,432	11,570 24,460
Reed City Schools - Debt - Operations	2.1000 18.0000	9,215,000 3,680,000	19,360 66,399	2,639 7,188	16,721 59,211
Pinora Township	.8763	13,350,000	11,699	2,428	9,271
State Education Tax	5.0000	13,350,000	66,792	6,404	60,388
		<u>\$ 424,151</u>	<u>\$ 61,846</u>	<u>\$ 362,305</u>	
Receipts					
Total taxes collected				\$	362,305
Collection fees					4,226
Total receipts				<u>\$</u>	<u>366,531</u>
Disbursements					
Lake County (Including SET)				\$	188,612
Mecosta-Osceola ISD					32,261
Wexford - Missaukee ISD					19,835
Pine River Schools					36,030
Reed City Schools					76,132
Pinora Township					13,544
Total disbursements				<u>\$</u>	<u>366,414</u>

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June 17, 2004

Members of the Pinora Township Board
Lake County, Michigan



I recently completed my audit of the general purpose financial statements of Pinora Township for the year ended March 31, 2004. During the audit, I had an opportunity to test internal controls and to observe the accounting and financial procedures and many of the general management practices of Pinora Township. Based upon these tests and observations, there are several matters that I specifically want to call to your attention.

FORM F-65

The Township should have just received the Form F-65 from the State of Michigan. This Form is to be completed and mailed back to the State by the end of September and audit numbers are supposed to be used in the report. The Clerk should mail this form to me to complete it.

BUDGET AMENDMENTS

There were four instances where the budget should have been amended. All are rather insignificant in amount, but nonetheless, the amendment should have been made. Note on page # 4 of the audit report that the activities of the Township Board, the Elections, the Assessor, the Treasurer and the Fire activities all have unfavorable variances. These should have been amended before the expenditures were incurred that placed these accounts in an unfavorable variance.

OTHER MATTERS

I have enjoyed working with your staff. Their competence and assistance were instrumental in my timely completion of the audit.

Two copies of the audit report, the auditing procedures report, and this letter should be mailed to the Michigan Department of Treasury, Local Audit Division. A pre-addressed envelope is being provided for your convenience.

If you have any questions regarding this letter or the audit, please do not hesitate to contact me.

Terry Kirkpatrick, CPA, P.C.